

CONFEREES ADOPT PLAN TO BALANCE U.S. BUDGET BY '91

WHITE HOUSE SUPPORTS IT

Leaders Expect Congressional Approval Today Amid Rush to End Year's Session

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WASHINGTON, Dec. 10 — House and Senate conferees tonight approved a bill designed to shrink the Federal budget year by year and lead to a balanced budget by 1991.

Leaders of both chambers said they expected Congress to send the proposal to President Reagan on Wednesday. Mr. Reagan, in a statement released this evening, strongly endorsed the bill, although he said he had reservations about the legislation's effect on the military budget.

The President said he would propose budgets with continued increases for the military. Congressional leaders, however, have said that such increases would be politically impossible without tax increases, which the President opposes, or the elimination of 30 to 50 nonmilitary programs.

Annual Deficit Cuts Required

The legislation would require annual reductions in the deficit, now running at more than \$200 billion, leaving a balanced budget by 1991. If total appropriations would exceed a given year's ceiling, the President would be required to make spending cuts, half in the military budget and half in nonmilitary spending. Social Security and several programs for the poor would be exempt.

A voice vote by the 66 House and Senate conferees approving the budget-balancing bill came as the 99th Congress was driving to finish its first session and go home for the holidays, probably until Jan. 21. Among the other important issues on the agenda are the farm bill, a catchall appropriation for 1986, a bill on tax revision and a bill to let the Government continue borrowing.

Major Change in Process

By a voice vote, the Senate passed its version of the catchall appropriation, designed to last through next September, and sent it to conference with the House, where a major issue to resolve will be the level of military spending. One possible obstacle to Congress's finishing this week is Mr. Reagan's threat, repeated today, to veto the bill.

The proposal to eliminate the deficit

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by 1991 represents a major revision of the current budget process, which Congress established 10 years ago. Much of the last-minute negotiating was an effort to accommodate some of the Reagan Administration's concerns, although it did not get all the changes it wanted.

The compromise, reached at 1 A.M. today between senior negotiators from the House and Senate, is designed to produce major cuts in the Government's record budget deficits even if the White House and Congress are unable to compromise on taxes or spending, both military and domestic.

Senator William V. Roth Jr., Republican of Delaware, was the only conferee to voice opposition to the compromise. He said the proposal would force a tax increase, which he opposes, to reduce the deficit. The bill, he said, "puts us firmly on the path of a series of major tax increases over the next five years." Mr. Reagan has repeatedly expressed his opposition to any tax rises.

Congressional leaders from both parties met with Mr. Reagan at the White House this morning to discuss the proposal. Larry Speakes, the White House spokesman, quoted Mr. Reagan as saying in the meeting, "I am very concerned that you will be forcing our national security interests to take an unacceptable reduction in funds."

"Even more important," Mr. Reagan said, "I hope that you don't take away our flexibility to manage national security resources as we think in the best interests of the nation."

Mr. Speakes said later that this com-

ment was made before Mr. Reagan had received a full briefing on the compromise, which gives the President some broader flexibility in determining what military programs to cut early next year if there is an automatic spending cut, as expected.

But the agreement does not give the Reagan Administration as much flexibility as it asked for and does not extend it to future years. In addition, negotiators from both parties said the measure would force the military budget for 1986 below the 1985 level, a cut that the Administration has opposed. Such a cut would leave the Pentagon budget below the level approved in either the House or the Senate.

The timing of Congress's consideration of the compromise measure is important because it is attached to a bill to raise the statutory debt limit enough to let the Government continue borrowing through next September. The Treasury says the Government will default early Thursday unless the debt limit is raised.

Other Congressional Matters

Congress also faces time pressure on the catchall appropriation that the Senate passed tonight. It is designed to extend through next September an interim appropriation that expires Thursday at midnight.

The President told the Congressional leaders this morning that he would veto the appropriation if any of its nonmilitary spending is above the Congressional budget target for 1986. "If there is excessive spending in any area I will veto that bill," he was quoted as saying.

Senator Bob Packwood, Republican of Oregon, said both Democrats and Republicans told Mr. Reagan that in previous years Congress had sent him total appropriations that were under the Congressional target and would do so again this year.

Mr. Packwood said the President had replied that Congress approved higher nonmilitary spending than he wanted this year and less for the military. "That went back and forth for a while," the Senator said.

Meanwhile, conferees from the House and the Senate continued to work on a separate bill to cut spending and raise revenue enough to carry out a major portion of Congress's promised deficit reduction for 1986, 1987 and 1988. In a compromise, the House accepted the Senate's extension of the Trade Adjustment Assistance program and the Senate's proposed 1 percent maximum import fee to pay for the program in the future. Mr. Reagan has said he would veto a deficit-reduction package that includes this import fee and the extension of the 16-cent-a-pack cigarette tax included in the both the House and the Senate proposal.

By contrast, the White House gave its

enthusiastic support when the plan to balance the budget by 1991 was first proposed. Some Democrats said today that the quick endorsement had been made for political reasons and that the White House's reservations on the effect on the Pentagon meant it was getting what it deserved.

"They played politics with this and they are now reaping the whirlwind," said Representative Les Aspin, Democrat of Wisconsin, the chairman of the House Armed Services Committee. "They thought Congress would never vote it. They just thought it would never happen."

The flexibility for choosing cuts in the military budget was granted only for 1986. Democrats said they would consider offering it year by year in the future if they thought the Pentagon was using it fairly and the military budget was bearing its full 50 percent share of any mandatory spending cut.

It works this way: In a situation where the automatic cut is set, say, at 4 percent of all military spending, the President could choose not to make reductions in uniformed personnel and salaries and incentives for military personnel. This is a new discretion agreed to in negotiations Monday, and it would represent the only military category he could choose not to cut.

The money not cut from personnel must be made up elsewhere. A deeper cut, about 5 percent in this case, would be applied to the rest of the military.

More Flexibility in '86

Each account must be cut by this 5 percent. But in 1986 the President can choose what to cut within an account.

The President could cut some programs, projects and activities by up to twice the standard percentage, 10 percent in this case, and not cut others at all, so long as the total cut is achieved for the entire account.

This higher cut, however, could not be applied to programs that Congress financed at 110 percent or more of the President's budget request, and the President could not eliminate any programs.

The White House and some Senate Republicans also got a key technical compromise which would allow the Pentagon to liquidate old contracts to achieve some of the mandatory cuts. This provision would help reduce the effect on weapon programs and some others.

The original budget-balancing proposal approved in the Senate had none of these compromises. It required that all programs, projects and activities be cut by the same percentage.

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